

Microinsurance at Allianz Group

2014 Half Year Report

Allianz SE

public



Allianz 

Content

News

- 1** What has happened since the last report (May 2014)
- 2** Half-year results 2014
- 3** Feature story: Allianz “Life Stories” Award

Background on Microinsurance

- 4** What is Microinsurance
- 5** Why we do it
- 6** Where we do it
- 7** How we do it

Appendix

What has happened since the last report (May 2014)

News

- Number of micro-insured lives jumps to over 34 million (+40% YoY) → [page 4](#)
- Allianz Microinsurance “Life Stories” Awards: Take a preview → [page 6](#)
- New video: With a simple game, Allianz Indonesia connects traditional village protection mechanisms to modern microinsurance → [watch](#) (5:05 min)

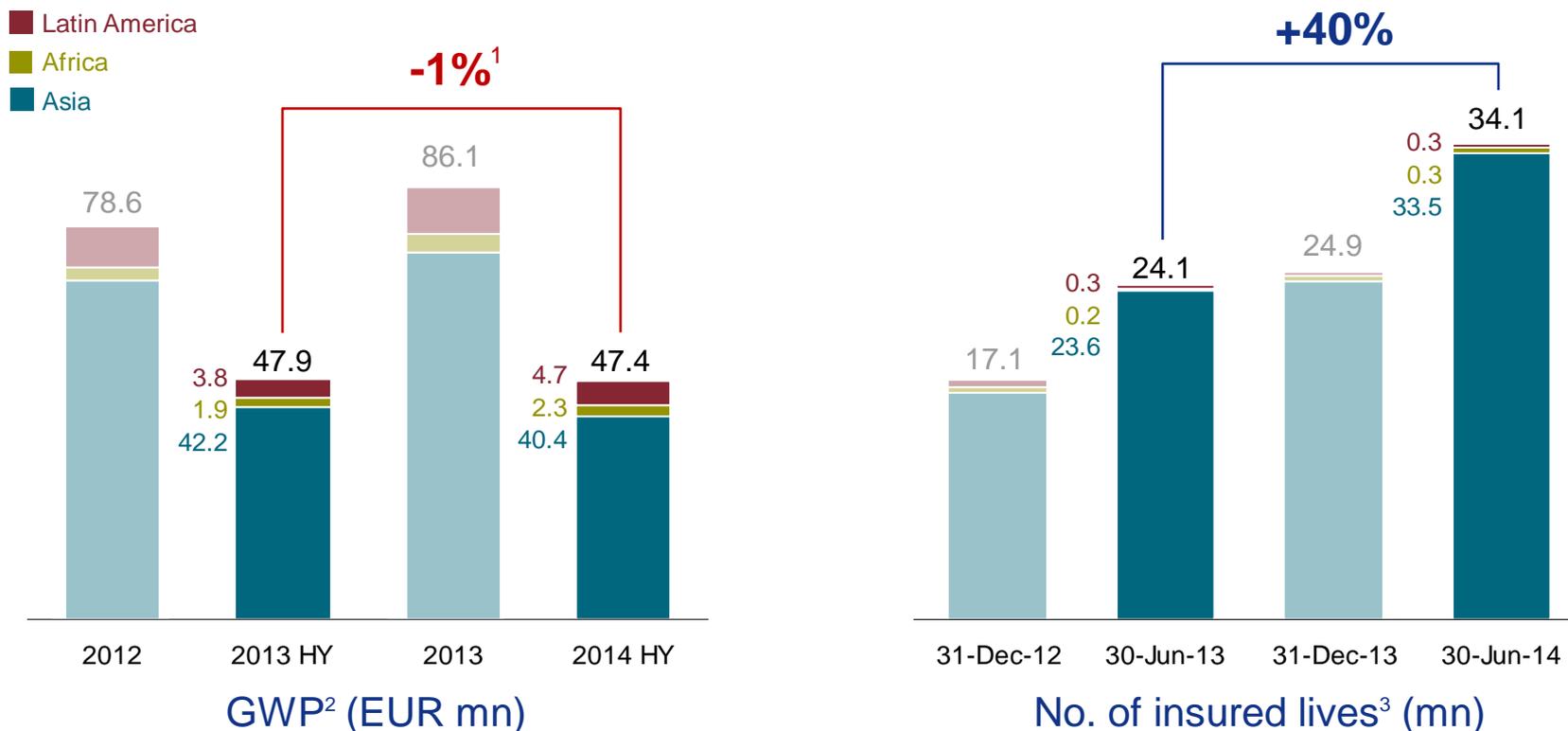
Products

- 1 product updated, 2 products stopped → [product pool](#)



Afrizal, producer of women's underwear
→ [read a preview of his “Life Story”](#)

2014 half-year results: Number of insured lives jumps to over 34 million



▶ Jump of small-ticket Term Life/Credit Life in India & Indonesia pushes no. of insured, while sales of bigger ticket products decrease => avg. premium per policy decreases

1) Net of currency exchange fluctuations (i.e. on Jun-2013 exchange rate basis), the Year-on-Year GWP change would have been +4%, reaching a GWP of EUR 49.9mn
 2) GWP = Gross Written Premium
 3) Insured assets, e.g. cattle, homes and motorcycles, are not included in the count of insured lives. Number of insured lives for Africa are partly based on proxy assumptions.

2014 half-year results: Assessment

- The ongoing rapid growth of the number of insured is a positive development. More people gain access to insurance this way
- Still a number of challenges remain:
 - Customer growth is largely confined to India and Indonesia. Access to Allianz microinsurance in other markets is still limited
 - Customer growth is driven by the most basic and affordable products only: simple term life and credit life insurance, so that customers remain severely underinsured
 - Premium growth stagnates since the phase out of a major premium driver, an [Indian micro-endowment](#), (due to regulatory changes) is barely compensated by increasing term life/credit life premiums and growth in smaller markets like Africa and Colombia
- Therefore, more value-adding products per person are needed to mitigate the challenge of underinsurance and boost premium revenues at the same time.
- To achieve this, we are working on several initiatives such as new mobile insurance projects (Africa) and upselling riders on top of credit life (Indonesia)

▶ Allianz is committed to increase the depth of coverage (insurance coverage per person) next to further increasing our large breadth of coverage (number of insured persons), in line with our microinsurance values ([p.15](#)) and operational quality standards ([p.21](#))

Allianz Microinsurance “Life Stories” Awards

- 8 journalist teams went out to create intimate biographic portraits of Allianz microinsurance customers
- The best 3 portraits will receive the 1st ever Allianz Microinsurance Life Stories Award
- Here we present a preview of one such Life Story

Excerpts from the Life Story of Afrizal

by [Wan Ulfa Nur Zuhra](#) & [Yodie Hardiyani](#)

“The first few days in Jakarta, I just walked around the city. Accompanied by friends who had already migrated and were already working here.”

“I joined the street vendors, those who always run away when the police officers come. I was selling women’s underwear.”



“I never thought that it was the starting point from which I would continue to climb up into who I am now. I am who they call an entrepreneur. I am who is able to hire 15 workers.”

“I am planning to buy a house that I could use as a production place, so I do not need to rent again.”

“Yesterday, two journalists came to my house. ‘We want to write your life story,’ they said. It was the first time I was interviewed, and to be honest, something that I had never imagined before.”



Soon to come

on Allianz.com/microinsurance

- Virtual “Life Stories” exhibition
- Announcement of the “Life Stories” Award winners

Background

News

- 1** What has happened since the last report (May 2014)
- 2** Half-year results 2014
- 3** Feature story: Allianz “Life Stories” Award

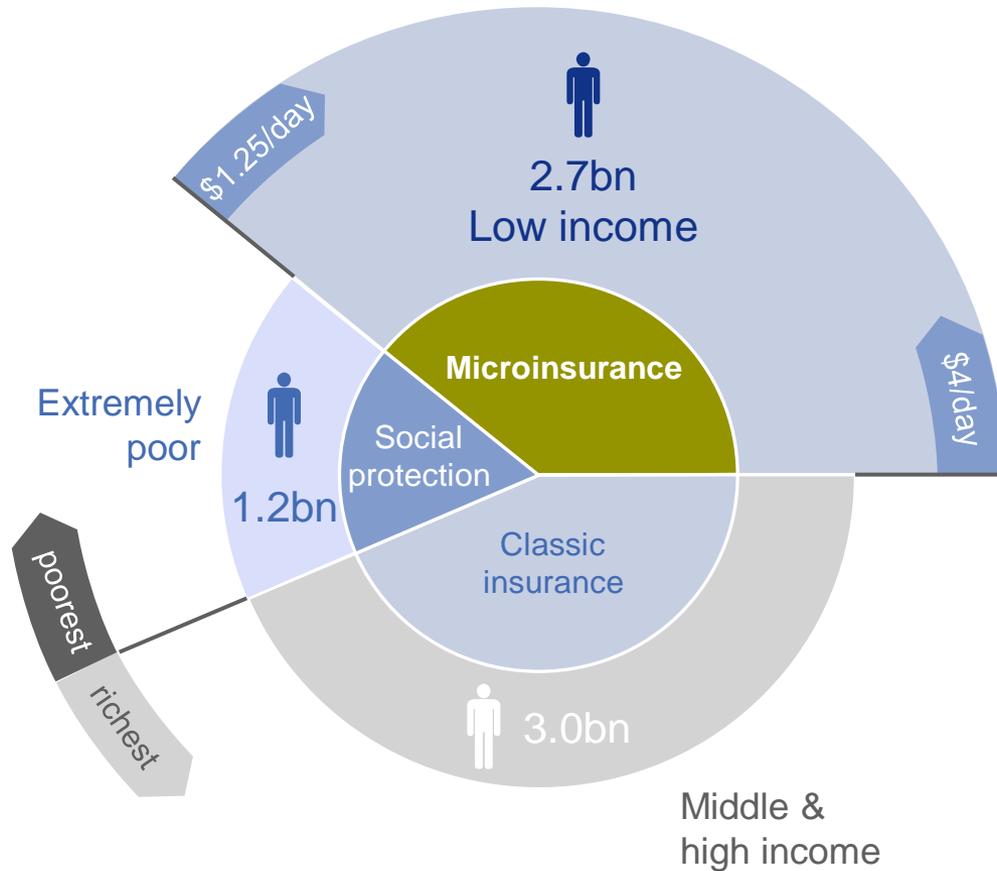
Background on Microinsurance

- 4** What is Microinsurance
- 5** Why we do it
- 6** Where we do it
- 7** How we do it

Appendix

What is Microinsurance?

World population by income¹



Microinsurance offers protection

against the risks in life, specifically for low-income people in developing countries and emerging markets, with customized products and processes.²

Market size:

- 2.7bn people
- USD 40bn potential premium per year³

1) 2010 data, based on World Bank [PovcalNet](#) (2014), World Bank [World Population Dataset](#) (2014); Income measured at Purchasing Power Parity (PPP) per capita per day.

2) The Allianz Group microinsurance definition may differ from local regulatory definitions. See our more detailed [Allianz operational microinsurance definition](#).

3) SwissRe Sigma (2010)

What is Microinsurance: A Customer Story from Indonesia

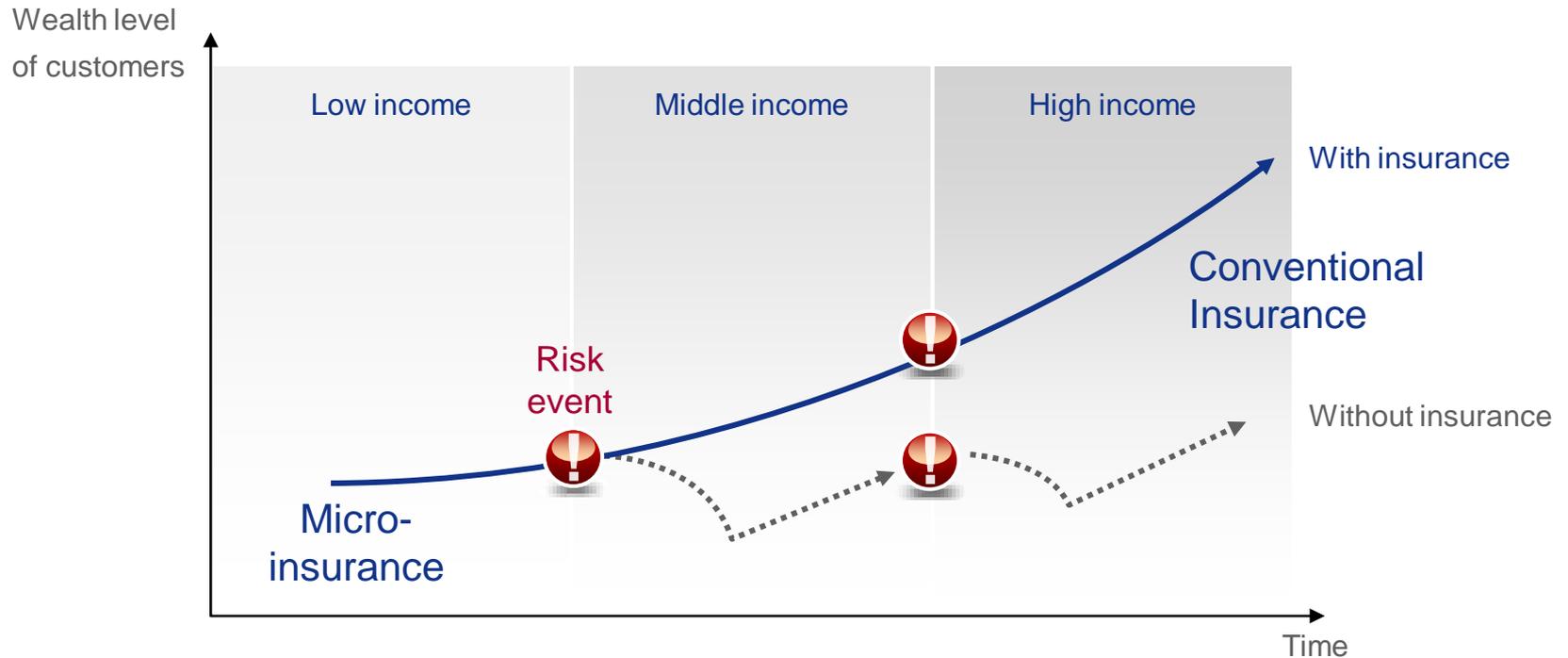


- In 2007, Ms. Siti Muhibah takes out a 10-month microcredit of US\$100 from a microfinance institution in Jakarta to grow her cookies shop
- Her loan comes with an Allianz micro life insurance that costs US\$1.20 for 10 months
- On Oct 4, 2007 Siti dies of diabetes complications
- Her daughter Zakiyah (photo) receives US\$200 from Allianz
- On top, Allianz pays off the rest of the loan



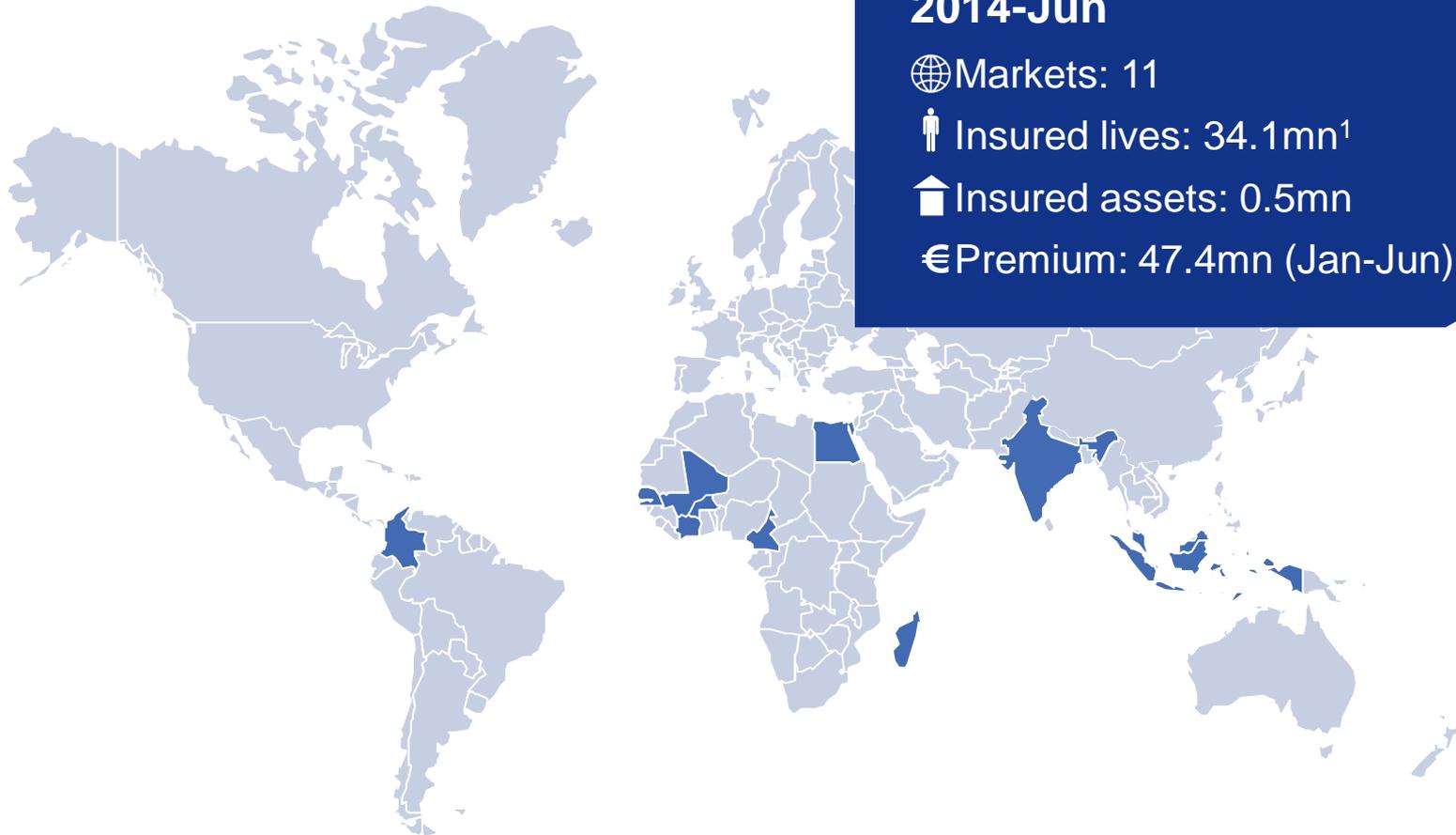
- As a result, Zakiyah increases her income from US\$2 to US\$6/day.
- She can compensate for her mother's lost income and take care of a family of six.

Why we do it: Micro delivers a double bottom line of social and business benefits



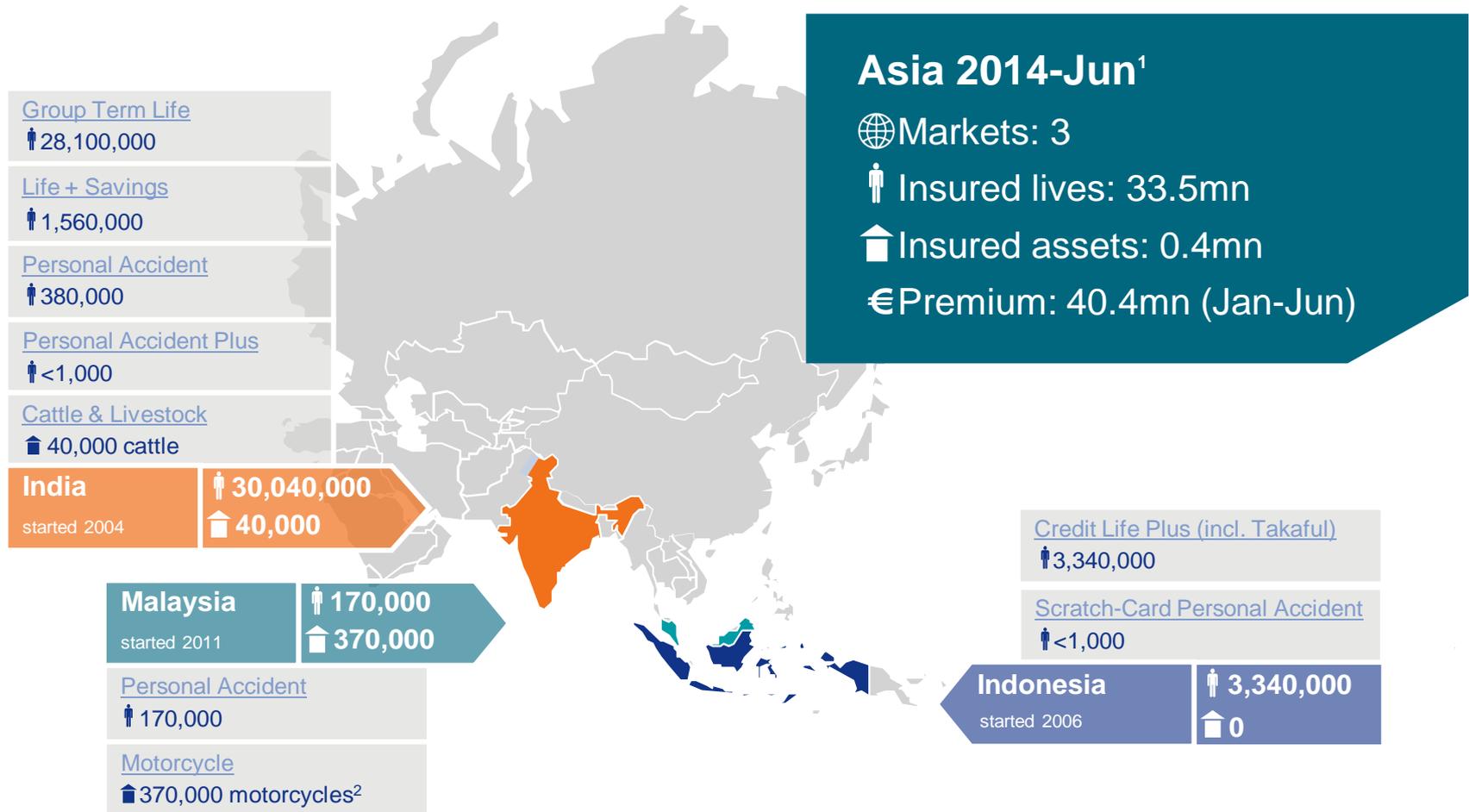
► **Social Benefit:** Microinsurance protects socio-economic progress
Business Benefit: Allianz can grow with customers from micro to conventional business

Where we do it



1) Number of markets, insured lives and assets are per 30-June. Premium figures are Jan-Jun figures. Double counting, e.g. if a person has two different Allianz life insurance products, is avoided where possible but cannot be entirely ruled out. Number of insured lives for Africa are partly based on proxy assumptions. The [Allianz microinsurance definition](#) may differ from local regulatory definitions.

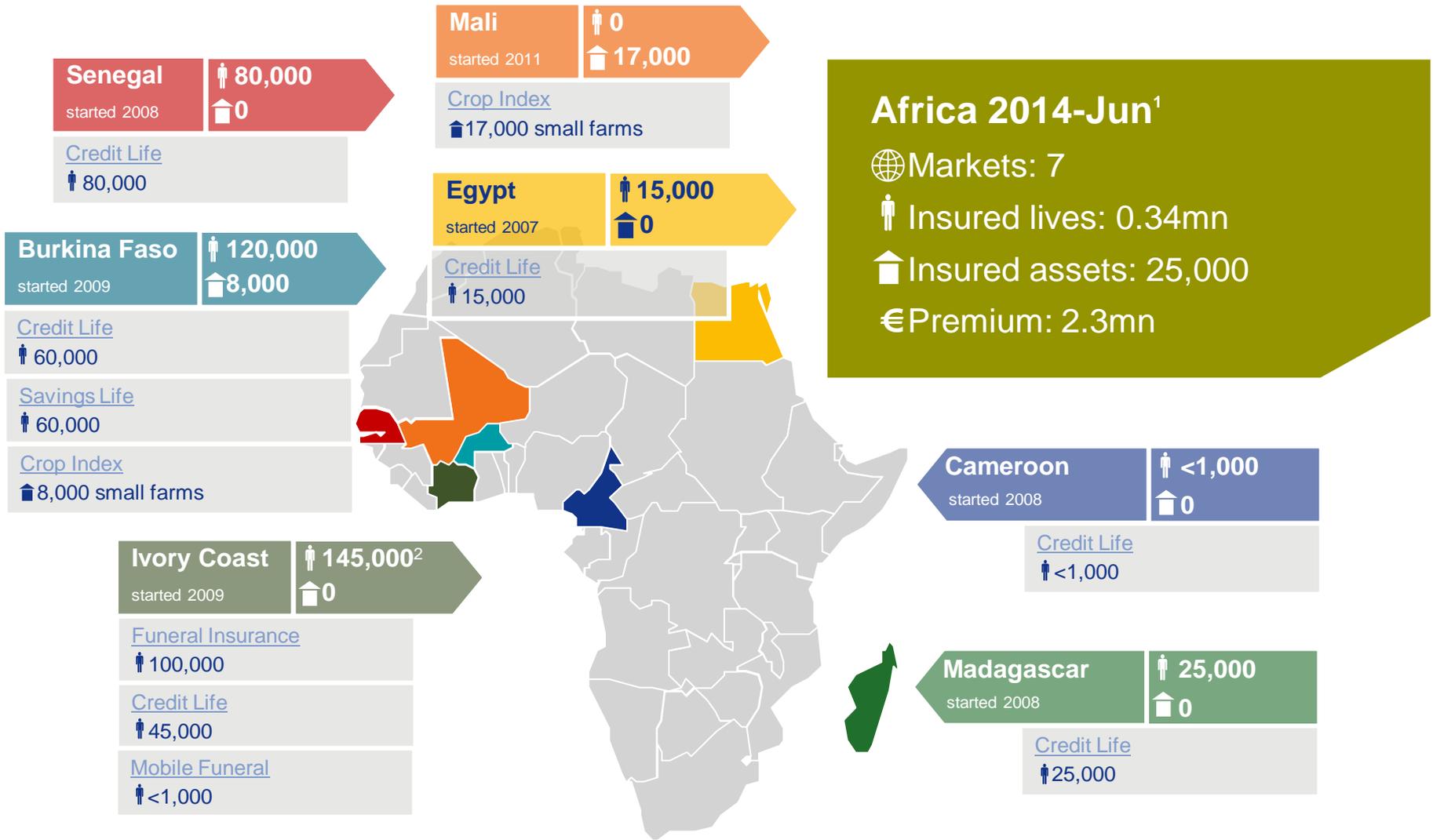
Where we do it: Asia



Click product names for more details.

- 1) Products launched since June 2013 that still have less than 1,000 insured lives or assets are not included.
- 2) The stated figures refer to third-party liability cover which is a statutory requirement for motorcycles in Malaysia. Contracts may include additional motorcycle cover which is a voluntary add-on, as is the complementary Personal Accident cover which comes as a separate product.

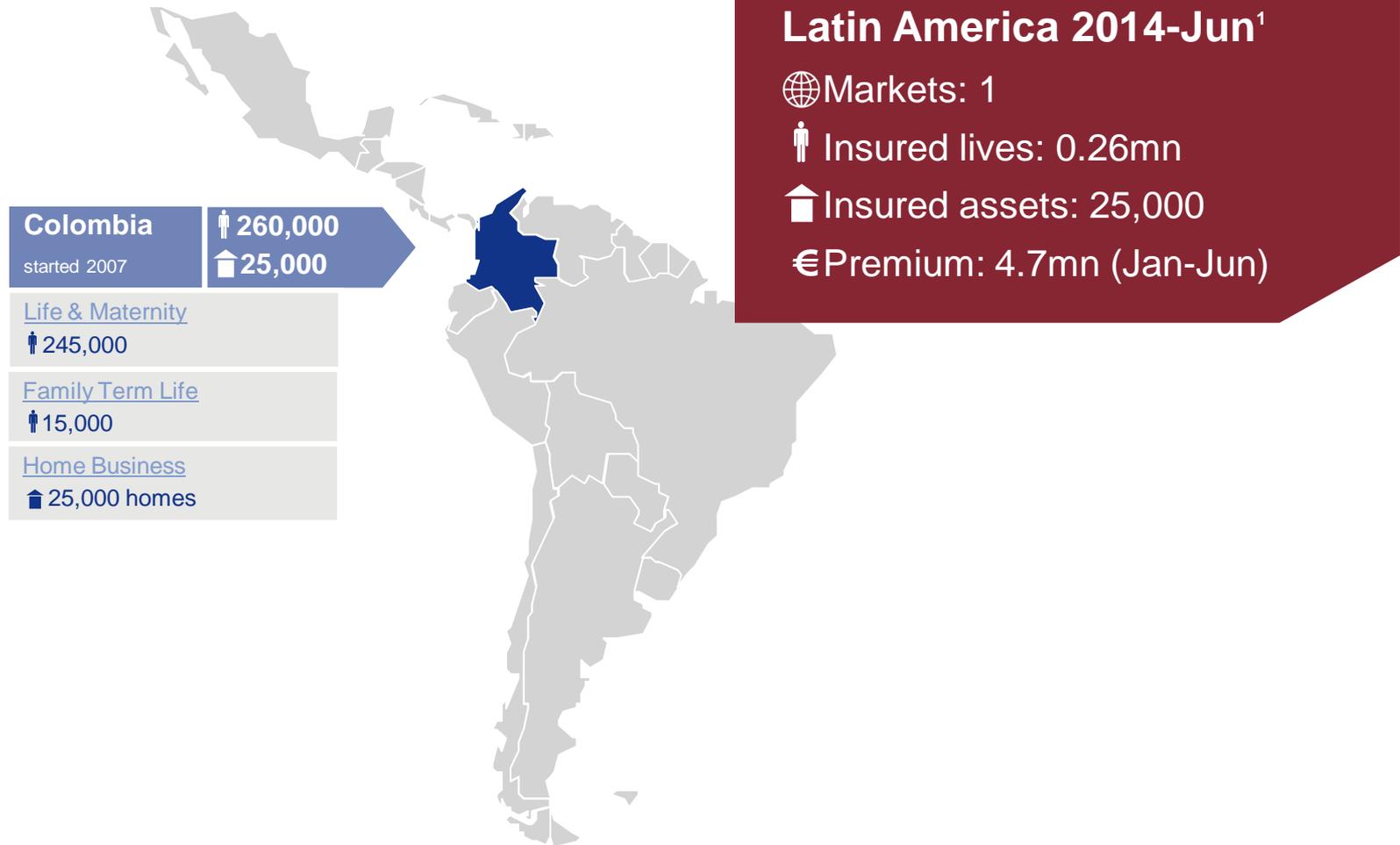
Where we do it: Africa



Click product names for more details

- 1) Products launched since June 2013 that still have less than 1,000 insured lives or assets are not included. No. of insured lives for Africa are partly based on assumptions.
- 2) No. of insured lives per product may add up to more than the stated total number of lives per country because double counting is factored out, i.e. persons with two or more Allianz life insurance products (although some double counting cannot be entirely ruled out).

Where we do it: Latin America



Click product names for more details

1) Products launched since June 2013 that still have less than 1,000 insured lives or assets are not included.

How we do it: Our 4 microinsurance values

Passion

We believe in what we do...

- Access to finance for more people
- Willingness to learn and create

Quality

We know what we do...

- Quality staff & quality partners
- Value for the customer
- Service oriented

Fairness

We are fair in what we do...

- Thinking win-win
- Respectful customer treatment
- Promoting financial literacy

Transparency

We show what we do...

- Clear communication to customers
- Sharing of information with the public

... and we live our values!

Implementation examples

1. Customer research before product development
2. Fair pricing
3. Customer education
4. Responsible sales practices
5. Customer satisfaction survey
6. Grievance mechanisms
7. Social performance indicators
8. Financial performance indicators
9. Knowledge sharing on the [Allianz website](#)

How we do it:

We work with public partners to achieve more customer value

Public Private Partnership on Microinsurance (2010 – 2015)



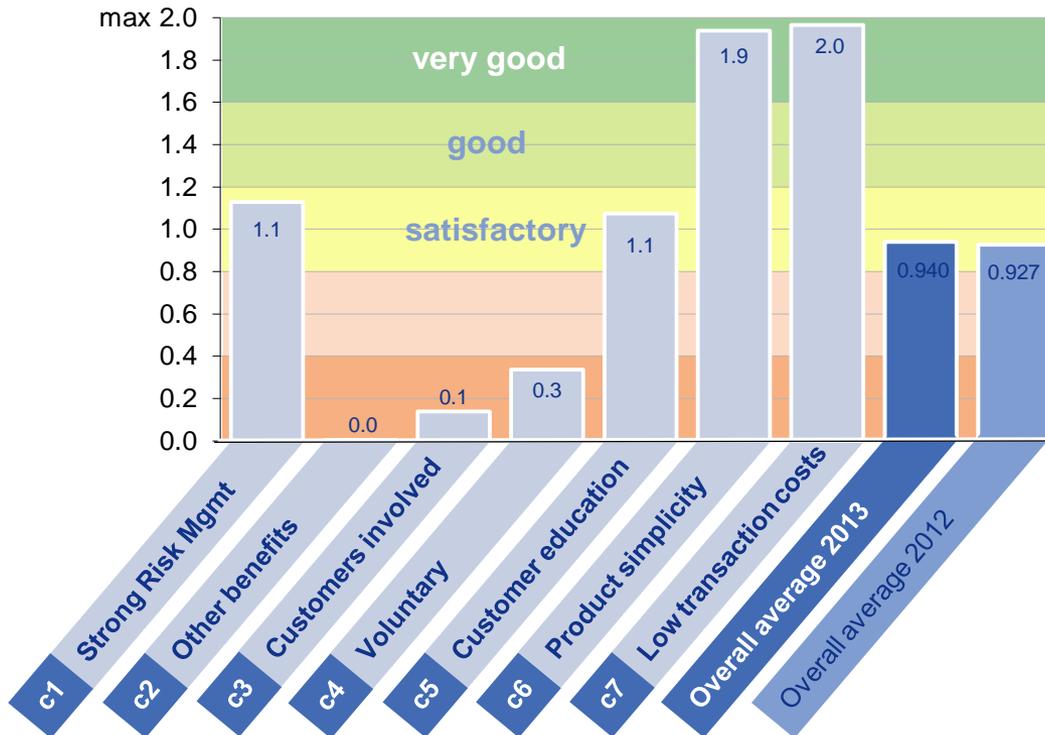
Joint Activities

Key Examples to date

1. Microinsurance Strategy Development	Combining social and financial benefits	→ p10
2. Business Development	Joint market study Senegal 2011	
3. Standards Setting	Operational microinsurance definition	→ p21
4. Customer Education	Customer Value Initiative, India	
5. Knowledge Management & Dissemination	Claims Stories videos 2012	→ watch
	Customer Awareness survey 2013	→ watch

How we do it: We constantly assess the quality of our products

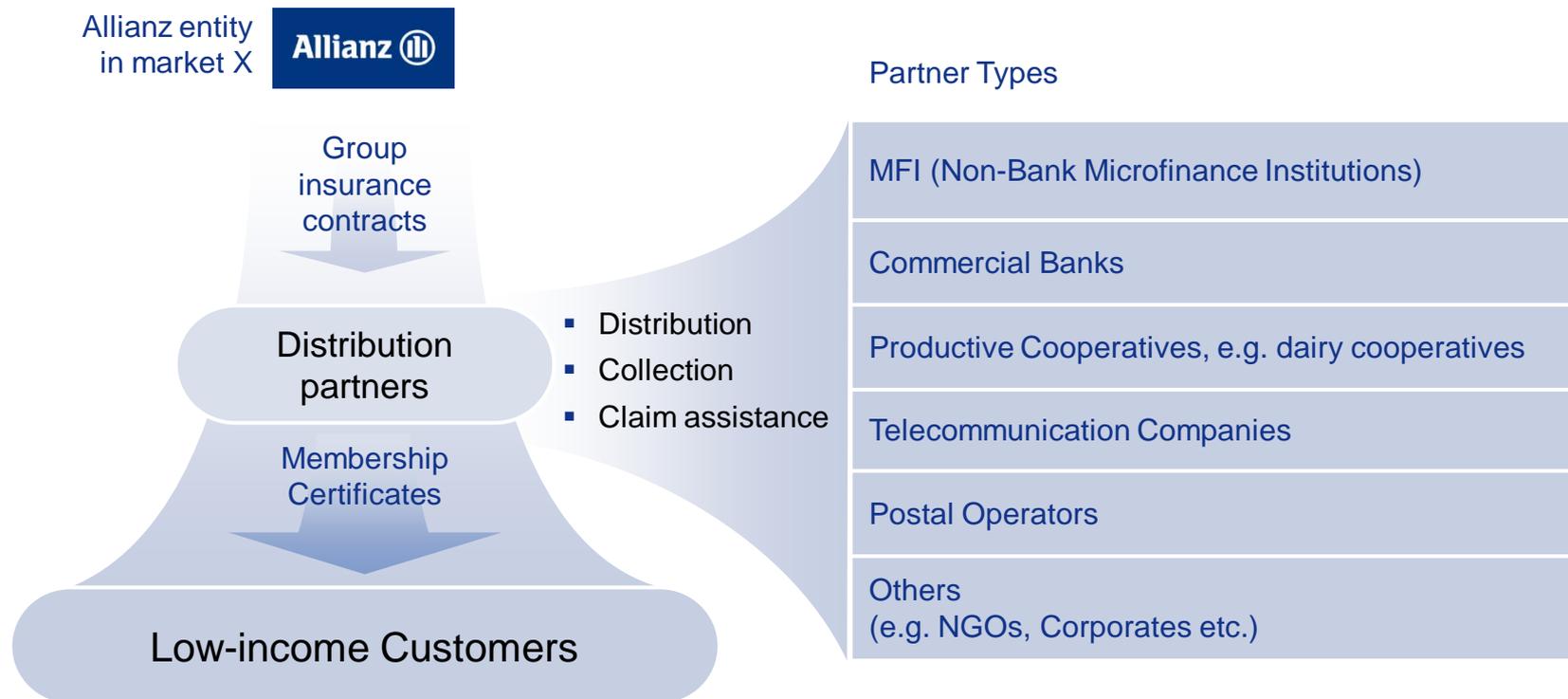
- Allianz assesses its microinsurance products on seven product quality criteria as outlined in the [Allianz microinsurance assessment tool](#)¹
- The global micro portfolio as per Dec-2013 performs as below:



- Generally, Allianz products perform best on “simplicity” and “low transaction costs”
- The risk management capabilities of our global portfolio has increased in 2013, (1.1 vs 1.0 in 2012) and transactions costs have further improved as well (2.0 vs. 1.9)
- However, the overall average has only slightly increased due to the over-proportional growth of non-voluntary product like credit life that led to a decrease in the “voluntary” criterion from 0.4 to 0.3.
- Going forward, increasing the proportion of voluntary products is a priority.

1) All microinsurance products in 2013 (n=18 products) are included in the analysis, whether they cover lives or assets. The assessments per product are self assessments (as per [Allianz product pool](#)) and have been weighted by the number of insured per product. This means that good quality products with few insured have less weight than products with lower ranking but many insured.

How we do it: Distribution



▶ Allianz' local entities are the drivers & business owners of microinsurance. They work with over 500 experienced partners to reach out to customers.

Disclaimer

These assessments are subject to the following disclaimer:

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency

levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

No duty to update.

The company assumes no obligation to update any information contained herein.

Appendix

News

- 1** What has happened since the last report (May 2014)
- 2** Half-year results 2014
- 3** Feature story: Allianz “Life Stories” Award

Background on Microinsurance

- 4** What is Microinsurance
- 5** Why we do it
- 6** Where we do it
- 7** How we do it

Appendix

Our operational Microinsurance definition

developed in
cooperation with

giz

On behalf of

BMZ



Federal Ministry
for Economic Cooperation
and Development

Product Name / Abbreviation		PA ¹ & Dental	Life + Savings	Credit Life Plus	Life & PA ¹
Company		Allianz Coleseguros	Bajaj Allianz	Allianz Life	Allianz
Country		Colombia	India	Indonesia	Malaysia
A	Insurance principles applied	✓	✓	✓	✓
B	Developing country or emerging market	✓	✓	✓	✓
C	Great majority of insured people or assets from low-income segment	✓	✓	✓	✓
D	No government subsidies of more than 50%	✓	✓	✓	✗

4 x ✓ = micro

1	Significant contribution to risk management of end customers	+	+	+	
2	End-customer receives other tangible benefits (e.g. discounts, lottery etc.)	++	-	-	
3	End-customers involved in product development	-	-	+	
4	Voluntary opt-in (++) , voluntary opt-out (+) or mandatory (-)	++	++	-	
5	Customer education and feedback mechanisms in place	++	++	-	
6	Simple product specifications (e.g. pre-underwritten, few exclusions)	++	++	++	
7	Strong measures to ensure low transaction costs	++	++	++	
Quality ranking (average of c1 – c7)		1.6	1.3	0.9	not micro

2.0 = best, 0.0 = lowest

Can we call it micro?
Good micro?

- This operational definition helps us to decide which products are micro and have to be included in our microinsurance business figures (criteria A – D)
- It also shows how good a product fulfills the Allianz microinsurance values: Passion, Quality, Fairness & Transparency (criteria 1 – 7)
- This definition was first launched on 30-March-2012. It may be further adapted as needed
- Full methodology and product examples [here >>](#)

Our engagement in Public Sector Insurance Schemes

Asia

RIICE - Remote sensing-based Information and Insurance for Crops in Emerging economies

- Project to insure 5mn small-holding rice farmers in several Asian countries
- Started 2012 in cooperation with multiple partners → [learn more](#)

India

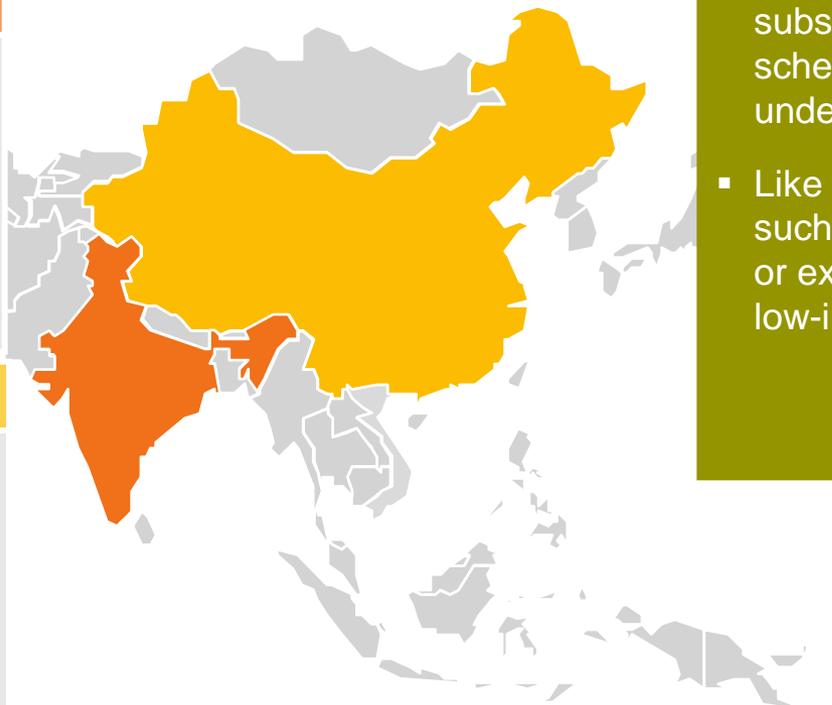
Multiperil Crop Insurance

- Program of local insurance companies
- Covers 25mn farmers against crop losses
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009

China

Multiperil Crop & Livestock Insurance

- Several programs of local insurance companies
- Covers over 100mn farmers
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009



- Premiums are partially (>50%) or fully subsidized through government funding
- Due to large public subsidies, these schemes do not fall under microinsurance¹
- Like microinsurance, such schemes mostly or exclusively benefit low-income families

1) See [operational microinsurance definition](#) of Allianz Group

Resources & Contact

Videos

- 2014: [Indonesia: Playing the insurance game](#)
- 2013: [9 customer awareness interviews \(by GfK\)](#)
- 2013: [Documentary: Allianz Adult Financial Literacy program \(Indonesia\)](#)
- 2012: [9 random microinsurance claim stories \(Colombia, India, Indonesia\)](#)
- 2009: [“Anitha. Promising Future”, BajajAllianz India](#)

Reports & Studies

- [Case Study: How Allianz Indonesia microinsurance reached over 1 million people \(Allianz 2013\)](#)
- [Case Study: TAMADERA learning journey, Indonesia \(ILO 2012\)](#)
- [Assessment of the social impact of Allianz microinsurance in Indonesia \(Hintz 2010\)](#)

Website

- [Allianz Microinsurance Website](#)

Contact

Martin Hintz

+49 89 3800-18401

Emerging Consumers
Allianz SE

E-mail:
martin.hintz@allianz.com

Report subscription

If you would like to receive our half-yearly microinsurance business reports automatically by email, just send a quick request to above contact.



Is this really the latest report?

→ [Check here for our most recent microinsurance reports and publications](#)